



## IRREVOCABLE LETTER OF CREDIT REGULATION

**8 CSR 10-4.170** *This rule establishes procedures for complying with the irrevocable letter of credit aspect of section 288.032(2). RSMo.*

(1) A letter of credit, issued by a commercial bank chartered under the laws of Missouri or chartered pursuant to the National Banking Act, may be submitted to the Missouri Department of Labor and Industrial Relations, Division of Employment Security, (hereinafter the division) in lieu of a surety bond or securities as required by section 288.032 RSMo. The letter of credit must be in an amount equal to the otherwise required bond or securities.

(2) The letter of credit shall be irrevocable and the beneficiary shall be the division. Payment shall be made immediately upon presentment of a demand for payment signed by the director of the division or his/her designated representative.

(3) All letters of credit shall conform to a required format. A standard letter of credit form embodying this format shall be provided by the division. All letters of credit shall be accompanied by an authorization for release of confidential information allowing the director of the division or his/her designee to release confidential information to the issuing bank.

(4) A demand for payment upon a letter of credit may be presented for payment only upon reasons that bond proceeds would be demanded.

(5) All letters of credit must be negotiable at a financial institution located within Missouri.

(6) Letters of credit shall have a term of one (1) year and shall be automatically renewable on an annual basis for an additional five (5) years. A letter of credit may be canceled by the issuer sixty (60) days after written notice is delivered to the division. Upon this notice the lessor employing unit shall be required to substitute a surety bond within sixty (60) days. If the required bond is not received within that time period, the client lessees will be jointly and severally liable and required to separately report as provided in section 288.032 RSMo.

(7) The division shall not release the letter of credit until it is satisfied, either by audit or otherwise, that no claims exist against the letter.

(8) A lesser employing unit shall be required to augment letters of credit in any situation where the lessor employing unit would be required to increase its coverage under a security bond. This additional bonding requirement may be satisfied by increasing the letter of credit, submitting an additional letter of credit, submitting an additional surety bond, depositing additional securities, or submitting an additional certificate of deposit. Failure to increase the letter of credit amount when required will result in the client lessees being jointly and severally liable and required to separately report as provided in section 288.032, RSMo.

*AUTHORITY: section 288.220, RSMo Supp. 1997.\* Original rule filed March 24, 1998, effective Sept. 30, 1998.  
\*Original authority 1951, amended 1955, 1961, 1963, 1967, 1971, 1995.*